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## Mexico

### Agricultural Situation

## Mexico's Weekly Highlights and Hot Bites, Dec. #2 2000

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#### **Report Highlights:**

- Mexico Initiates Antidumping Investigation of Imports of U.S. White Rice
- Mexico Modifies its Import Policy for Lard
- SAGAR Changes Its Name and New Under Secretaries are Named
- Mexico's 2001 GDP Growth to Increase
- Mexico's Increases Less than Projected
- Wal-Mart Sales; - Comercis Sales Fall
- Peso Outlook
- Domestic Beer Moves Up Aggressively in Global Market
- Fox Agriculture Initiative Encompasses Several Proposals
- ... and more

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the US agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing US agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

**DISCLAIMER:** Any press summary contained herein does NOT reflect USDA's, the US Embassy's, or any other US Government agency's point of view or official policy.

### **ANTIDUMPING PROCEEDINGS AGAINST US WHITE RICE BEGIN**

On December 11, 2000, Mexico's Secretariat of Economy formerly the (Secretariat of Commerce and Industrial Development - SECOFI) announced in the "Diario Oficial" ("Federal Register") the initiation of an official anti-dumping investigation against U.S. long grain white rice. The investigation is in response to a petition submitted by the Mexican Rice Council. The official announcement did not include the immediate imposition of countervailing duties. At issue are U.S. market prices for long grain white rice. All interested parties have until January 24, 2001 (thirty (30) working days from the date of publication of the official announcement) to respond to the questionnaires provided by SECOFI. (SOURCE: Diario Oficial 12/11/00)

### **SAGAR CHANGES NAME AND NEW UNDER SECRETARIES ARE NAMED**

The Mexican Ministry of Agriculture, known by its acronym SAGAR, changed its name to the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGAPA). The new Ministry has added fish and food to its coverage which were taken from two other Ministries. It has also been rumored that SAGAPA will be responsible for monitoring and implementing TRQ's for agricultural products. In addition to the name change, Secretary Usabiaga also announced the names of his Under Secretaries. Under Secretary for Agriculture and Livestock will be Dr. Victor Villalobos; Under Secretary for Rural Development will be Antonio Ruiz; Under Secretary for Planning will be Mr. Juan Carlos Cortes; and Under Secretary for Fisheries will be Mr. Jerónimo Ramos Sáenz Pardo. Official announcements of lower-level officials are expected next week. (Source: Diario Oficial, Sept. 5, 2000; OAA/Mexico City)

### **MEXICO MODIFIES ITS IMPORT POLICY FOR LARD**

The Mexican Ministry of Agriculture (SAGAPA) recently released a new import requirement sheet modifying import requirements for lard. For processed lard for human consumption, SAGAPA requires a USDA/FSIS sanitary certificate which includes language that the lard was processed at between 80 C (175 F) to 97 C (205 F). If shipments are not accompanied by a certificate with the temperature information then a SAGAPA official, at a SAGAPA authorized inspection point, must inspect the product. The shipment will then have to cross into Mexico at the corresponding crossing of the inspection point. This change is the result of importers complaining that since the closing of more than half of the US/Mexican border inspection points, they have been forced to travel long distances to cross their shipments. Unfortunately, the

change will not help these importers because USDA/FSIS does not provide temperature statements on its export certificates. US exporters of lard are advised to contact the freight forwarder before shipping to ensure an official inspection point is located at the selected crossing point. (Source: FAS/Mexico)

### **MEXICO'S 2001 GDP GROWTH TO INCREASE**

Banco de Mexico recently surveyed 32 analysts and economists whose opinions and comments are considered influential in determining monetary policy decisions. The survey showed an average forecast for the nation's gross domestic product (GDP) will grow to 4.64 percent next year – up from the previous forecast a month-ago of 4.58 percent. The analysts also hiked estimates for GDP growth this year from 6.87 percent in the previous survey, to 7.14 percent in the current survey. In the survey conducted one month ago, the average forecast for 2001 inflation was 7.6 percent, while the new survey yielded an average forecast of 7.7 percent. Banco de Mexico has set its inflation target for 2001 at 6.5 percent compared with the approximately 9 percent expected for this year. (Source: The News, 12/2/2000)

### **MEXICO'S DEFICIT INCREASED LESS THAN FORECAST**

Mexico's current account deficit in the third quarter of 2000 was US\$4.038 billion, widening from the same three-month period in 1999, when it was US\$3.247 billion, according to a Banco de Mexico report. The current account gap -- the country's trade deficit, plus "invisible" indicators such as tourism, insurance and banking -- also rose compared with the second quarter of 2000, when it was US\$3.446 billion. A survey of 10 financial houses had forecast a third-quarter current account deficit of US\$4.664 billion dollars. (Source: The News, 12/2/2000)

### **WAL-MART SALES**

According to the Mexican press, the retailer Wal-Mart de Mexico (Walmex) said its same-store sales rose 2.4 percent in November and its total sales were 6.313 billion pesos, up 9.6 percent, compared with the same month last year. The nation's retailers have seen healthy sales growth this year, as the solid economy has fueled consumer spending, though same-store sales growth has been leveling off in the second half of 2000. Accumulated same-store sales for the first 11 months of 2000 were up 4.5 percent in inflation-adjusted terms, compared with the same period last year. (Source: The News, 12/9/2000)

### **COMERCI SALES FALL**

Controladora Comercial Mexicana (Comerci), one of the Mexico's largest supermarket chains, said that November same-store sales fell 3.29 percent compared with the same month last year. In a statement, Comerci said its accumulated same-store sales for the first 11 months of 2000 grew 2.74 percent compared with a scant increase of 0.22 percent for the same period last year. Comerci, which has five different store formats, including Costco warehouse clubs, operates 214 stores and 46 restaurants in the country. Comerci is 50 percent owner of Costco of Mexico, in partnership with U.S. retailer Costco Wholesale Corp. (Source: The News, 12/9/2000)

## **PESO OUTLOOK**

The Mexican press reported that Citibank advised clients to initiate long U.S. dollar/Mexican peso positions at 9.4050 per dollar, arguing that Mexico's wide trade deficit and weakening oil prices will weigh on the peso. Citibank noted the nation's trade balance, excluding oil exports, has deteriorated close to levels seen in late 1994. In addition to falling oil prices, Citibank said an economic slowdown in the United States would also worsen the Mexican trade situation. And while losses on the Bolsa have not yet impacted the peso, Citibank warned the currency may yet get hit. Nonetheless, Citibank cited capital inflows into the country as lending some support to the peso that would prevent severe declines. "We are not predicting a major blowout for U.S. dollar/Mexican peso, particularly as capital inflows remain generally constructive. However, we do anticipate a fairly quick move into the 9.6 to 9.7 range, with a stop on a close below 9.34," Citibank said in a report. (Source: The News, 12/9/2000)

## **SAGAR MEDICAL VETERINARIANS TO GET FSIS TRAINING**

Nine veterinarians from the Ministry of Agriculture, Livestock and Rural Development (SAGAR) have been accepted to attend the USDA Food Safety Inspection Services (FSIS) Meat and Poultry Inspection Seminars to be held on January 8 - 26, 2001, and February 19 - March 8, 2001. The seminars, designed by FSIS, will provide in-depth training regarding US inspection procedures and regulations used to assure that meat, poultry and egg products are safe, wholesome, and properly labeled. Emphasis will be placed on HACCP and pathogen reduction initiatives. During the training, field trips to farms, slaughter houses, processors, and port facilities will be taken. (Source: FAS Mexico, 12/12/00)

## **DOMESTIC BEER MOVES UP AGGRESSIVELY IN GLOBAL MARKET**

As of last year, Mexico moved into the No. 3 spot among world beer exporters with shipments of 229 million gallons (8.65 million hectoliters) to overseas markets, trailing only Holland, with 317 million gallons (12 million hectoliters) and Germany with 243 million (9.2 million), according to figures from British beer industry researcher Canadean Ltd. released by J.P. Morgan. Analysts say the numbers will keep on growing, thanks to spiraling demand from the biggest customer, the United States, which buys some 85 percent of Mexico's beer exports. The proximity of the beer-loving giant has translated into a windfall for Mexican brewers such as Grupo Modelo, maker of the world-renowned Corona brand, and Fomento Economico Mexicano (Femsa), and it has underpinned the industry's growth. Without a doubt, Corona brand was the trailblazer in the opening of world markets to Mexican beer and it remains the beer most associated with Latin America's second-biggest economy. (Source: The News, 12/11/2000)

## **FOX'S INITIATIVE FOR AGRICULTURE ENCOMPASS SEVERAL PROPOSALS**

Besides their apparent intention of modifying subsidies and supports (like Procampo), the new administration of the Secretariat of Agriculture has a long list of modifications for their agricultural policies. These modifications are included in the proposed document of "Rural Development and Agricultural 2001-2006." The proposal was designed by the incoming agriculture team, headed by Javier Usabiaga. The 104-page document describes new market

promotion proposals and international agricultural trade controls; domestic market classification; and standardization of the agricultural sector. Moreover, the proposal includes the establishment of a storage system, which will seek private capital to create a cold chain system. Also proposed is the design of an information system along the production and marketing chains. Some of these proposals will need legal modifications which Congress will have to approve, such as the creation of a "rural financial system." The document also highlights a new policy for international trade, which would be under the Secretariat of Agriculture's responsibility instead of the Ministry of Commerce, now the Ministry of Economy. In the proposal, the Secretary of Agriculture will promote the collection of import tariffs on shipments in excess of tariff-rate quotas, which will be used to benefit producers. (Source: El Financiero, 12/11/2000)

## WALMEX RISES

Shares of the nation's largest retailer Walmart de Mexico (Walmex) jumped 5.94 percent on December 5, 2000, in a rebound from recent lows and on expectations of strong sales growth in 2001, said local analysts. Walmex's local V shares rose 5.94 percent or 1.20 pesos to 21.40 pesos per V share on volume of 2.45 million shares. while it less liquid C shares rose 6.36 percent, or 1.16 pesos to 19.40 pesos per C share. (Source: The News, 12/6/2000)

## REMINDER FOR PUBLIC COMMENTS ON PENDING PROPOSED REGULATIONS

The table below summarizes proposed new regulations that the Government of Mexico (GOM) has published in recent weeks that could impact agricultural exporters. As part of the regulatory process, the GOM accepts comments from interested parties, including those from the United States, for 60 calendar days including the date of publication in Mexico's, "Federal Register.". Any such comments **must** be submitted in Spanish. See the cited FAS Report # for additional information. The official Spanish texts of these proposed regulations are available at [www.secofi.gob.mx/dgnl.html](http://www.secofi.gob.mx/dgnl.html).

Published	End Comment Period	Description	FAS Report#
10/20/2000	12/18/2000	PROY-NOM-064-ZOO-2000, "Guidelines for the classification and prescription of veterinarian pharmaceutical products by the risk levels of their active ingredients."	MX0163
11/1/2000	12/30/2000	PROY-NOM-145-SCFI-2000, "Commercial Information – Labeling of Honey Products"	MX0169

## RECENT REPORTS SUBMITTED BY FAS/MEXICO

Report#	Title	Date Sent
MX0181	Mexico's Weekly Highlights and Hot Bites, Dec. #1	12/07/2000

Report#	Title	Date Sent
MX0182	Mexico's Monthly Crop Update, November 2000	12/07/2000
MX0183	The Mexican Market for Apples & Pears	12/07/2000
MX0184	The Mexican Market for Bakery Products	12/08/2000
MX0185	Mexico Initiates Antidumping Investigation Against U.S. White Rice	12/11/2000
MX0186	The Mexican Market for Balanced Feed and Ingredients	12/11/2000
MX0187	The Mexican Market for Beef and Beef Products	12/11/2000
MX0189	The Mexican Market for Breeding Cattle & Animal Genetics	12/12/2000
MX0190	The Mexican Market for Candy & Confections	12/12/2000

**NOTE:** To better serve U.S. exporters, FAS/Mexico's Agricultural Trade Office (ATO) is in the process of publishing on the FAS Home Page all of its previously unpublished "Market Briefs." These reports provide an overview of the Mexican market for specific products, sectors, and/or commodities.